

Message Text

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ORIGIN EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-08 AGRE-00 L-03
COME-00 TRSE-00 STR-04 CIAE-00 INR-07 NSAE-00
SP-02 USIA-06 AID-05 NSC-05 SS-15 OMB-01 CEA-01
PRS-01 PA-01 /094 R

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P R 112304Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY MANILA PRIORITY
INFO USMISSION GENEVA
AMEMBASSY LONDON

C O N F I D E N T I A L STATE 081086

EMBASSY POUCH COPY TO CEBU

E.O. 11652: GDS

TAGS: EPAP, RP, US

SUBJECT: US SUGAR POLICY - NEGOTIATION OF NEW ISA

1. AS PART OF SERIES OF INDIVIDUAL BRIEFINGS WITH REPRESENTATIVES OF SUGAR PRODUCING COUNTRIES ON GENERAL DIRECTION OF US THINKING RE NEW SUGAR POLICY, EB (O'DONNELL, PILKAUSKAS) AND EA MET APRIL 7 WITH PHILIPPINE EMBASSY OFFICER ACCOMPANIED BY GOP WASHINGTON AGENT LARRY MEYERS. EB OUTLINED FOLLOWING US POSITIONS, WHICH HAD JUST EMERGED AFTER SEVERAL WEEKS OF CONCENTRATED INTRA-AGENCY DELIBERATION.

(A) THERE WAS STRONG CONSENSUS WITHIN EXECUTIVE BRANCH
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NOT TO RETURN TO COUNTRY-QUOTA SYSTEM OF LIMITING US SUGAR IMPORTS. MOREOVER, HOUSE OF REPRESENTATIVES WOULD BE OPPOSED TO ANY NEW SUGAR LEGISLATION WITH SUCH PROVISION.

(B) A RESTRICTIVE GLOBAL IMPORT QUOTA, AS MEANS OF ADDRESSING US DOMESTIC SUGAR PRODUCER PROBLEM, HAS BEEN SHELVED. HOWEVER, IT IS CONCEIVABLE THAT IDEA MIGHT BE

RESURRECTED SHOULD NEGOTIATIONS FOR EFFECTIVE INTERNATIONAL SUGAR AGREEMENT (ISA) PROVE IMPOSSIBLE.

(C) US HOPES TO MAKE NEW ISA A CORNERSTONE OF OUR SUGAR POLICY. WE WILL SEND HIGH-LEVEL DELEGATION TO UPCOMING ISA NEGOTIATIONS IN GENEVA, WHICH BEGIN APRIL 18 AND ARE EXPECTED TO LAST SIX WEEKS.

(D) IN INTERIM BEFORE ISA COULD COME INTO FORCE (JANUARY 1, 1977 AT EARLIEST), THE US MIGHT TAKE SHORT-TERM MEASURES TO ASSIST DOMESTIC INDUSTRY, BUT THEY WOULD NOT INCLUDE RESTRICTIVE IMPORT QUOTAS.

2. AS EXPLAINED BY DEPARTMENT, FUNCTIONING ISA WOULD ESTABLISH PRODUCER COUNTRY EXPORT QUOTAS, WITH CONCOMITANT PLEDGE BY IMPORTING COUNTRIES TO LIMIT PURCHASES OF SUGAR FROM NON-ISA MEMBERS, WHEN PRICES FELL WITHIN A NEGOTIATED RANGE. OBJECTIVE OF AGREEMENT WOULD BE TO STABILIZE SUGAR PRICES AROUND LONG-TERM MARKET TREND. INITIAL PRICE RANGE SHOULD INCLUDE MINIMUM PRICE LOW ENOUGH TO AVOID ARTIFICIAL EXPANSION BY COMPETING SWEETENER INDUSTRIES, WITH MAXIMUM PRICE HIGH ENOUGH TO STIMULATE NECESSARY PRODUCTION. SPECIFICALLY, TO RAISE AND MAINTAIN PRICES WITHIN REASONABLE RANGE, BUT AT SAME TIME PROTECT CONSUMERS FROM INORDINATE INCREASE, US WILL ADVOCATE STRONG STOCKING PROVISIONS ENTAILING LARGER MINIMUM STOCKS AND ADDITIONAL "SPECIAL STOCKS" TO BE RELEASED IF PRICE MOVES ABOVE AGREED LEVEL. WE MIGHT CONSIDER INTERNATIONAL FINANCING ARRANGEMENTS FOR LATTER STOCKS. PHILIPPINE REPS
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WERE ASSURED THAT PRESENT LONG-TERM SUGAR CONTRACTS BETWEEN GOP AND US REFINERS WOULD NOT BE AFFECTED BY A NEW ISA EXCEPT IN UNLIKELY EVENT QUANTITIES INVOLVED EXCEEDED PHILIPPINES' ISA EXPORT QUOTA.

3. DEPT. EXPRESSED HOPE FOR ACTIVE PHILIPPINE PARTICIPATION IN ISA GENEVA CONFERENCE. PHILIPPINE EMBASSY REP NOTED THAT, ALTHOUGH GOP HAD NOT ATTACHED MUCH IMPORTANCE TO ISAS IN PAST, US POSITION AS EXPLAINED WOULD NECESSITATE REVIEW OF THAT ATTITUDE. GIVEN VERY SHORT TIME BEFORE NEGOTIATIONS, EMBASSY WOULD IMMEDIATELY MOVE TO BRING MATTER TO ATTENTION OF HIGHEST GOP LEVEL. IT WAS AGREED THAT SOME MEETING WITH PHILIPPINE DELEGATION MEMBER(S), PERHAPS IN WASHINGTON, PRIOR TO NEGOTIATIONS WOULD BE HELPFUL.

4. AFTER CABLING US POSITION TO MANILA AT END LAST WEEK, AMBASSADOR ROMUALDEZ FOLLOWED UP WITH TELEPHONE CALL TO MARCOS OVER THE WEEKEND. DEPT. INFORMED BY PHILIPPINE

EMBASSY THIS MORNING (APRIL 11) THAT FOUR POINTS EMERGED
FROM MARCOS-ROMUALDEZ EXCHANGE:

(A) MANILA'S INITIAL REACTION TO ISA CONCEPT PUT
FORTH BY US IS FAVORABLE.

(B) WITHIN ISA, GOP IS BASICALLY CONCERNED WITH ES-
TABLISHMENT OF MINIMUM SUGAR PRICE, WHICH SHOULD RELATE
TO COST OF PRODUCTION PLUS "REASONABLE PROFIT".

(C) GOP WILL SEND STRONG NEGOTIATING TEAM TO GENEVA
CO-CHAIRLED BY AMBASSADORS BENEDICTO AND BRILLANTES.

(D) SENIOR MEMBER OF TEAM WILL TRANSIT WASHINGTON
APRIL 16 ENROUTE TO GENEVA TO CONSULT WITH EMBASSY.
(UNCLEAR WHETHER HE WILL TRY TO CONTACT DEPT., BUT IN ANY
EVENT, TIME BEFORE CONFERENCE OPENING WOULD BE VERY
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SHORT.)

5. WILL KEEP YOU ADVISED OF FURTHER DEVELOPMENTS.
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Message Attributes

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